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State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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801-538-5340

September 11, 1991

CERTIFIED RETURN RECEIPT
P 074 978 824

Mr. C. L. Patterson
Plant Manager
Interpace Industries
P. O. Box 12118
Ogden, Utah 84412

Dear Mr. Patterson:

Re: Interpace Corporation Reclamation Surety, Clinton Pit, M/049/006, Utah County
Utah and Pleasant View Mine, M/057/003, Weber County, Utah

On January 26, 1989, the Board of Oil, Gas and Mining (Board) conditionally approved the amount and form of combined surety proposed by Interpace Corporation (Interpace) for both the Clinton Pit and Pleasant View Mine. Conditions of the Board's approval were: 1) adherence to the semiannual escrow payment schedule (copy attached); and 2) completion of the required surety forms.

In December 1988, the Division of Oil, Gas and Mining (Division) received an Irrevocable Standby Letter of Credit (ILOC) in the amount of \$25,000 from Interpace to be used as reclamation surety for both mines. The ILOC is automatically extended until the expiration date of December 9, 1993.

In March 1989, the Division sent a registered letter to Interpace regarding the conditions of Board approval. A Reclamation Contract and Collateral Bond Agreement were enclosed. These forms were to be completed and returned to the Division no later than April 18, 1989. In April 1989, the Division received a letter and a signed Reclamation Contract from Interpace. The letter stated that the Collateral Bond Agreement had not been signed because Interpace would not be providing an ILOC, but intended to deposit \$50,000 cash by June 30, 1989 instead. Interpace also requested the appropriate documentation from the Division for setting up an escrow account. The Division was to contact Interpace when the escrow surety forms became available. The Division's Escrow Agreement forms were in the process of being revised at that time.

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Interpace Industries
M/049/006 & M/057/003
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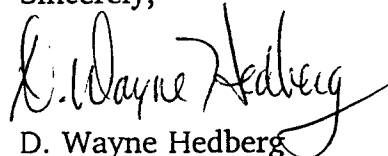
In September 1989, the Division revised the reclamation estimate, due to some recent regrading work performed at the Clinton Pit. The revised estimate reduced the liability for reclamation of both sites to a total of \$80,000 in 1994 dollars.

As of this date, the Division files contain no record of receiving the \$50,000 cash to have been deposited by June 30, 1989. No record of any additional form of reclamation surety posted by Interpace other than the \$25,000 ILOC is evident. A Reclamation Contract signed by Interpace is on file, but it has not been signed by the Division or the Board. Also, the files show no evidence of the Division providing Interpace with forms or information for establishing an escrow account.

In order to resolve these matters, the Division asks that Interpace now post a revised reclamation surety of \$79,300 (1996 dollars) within 60 days of the receipt of this letter for both the Clinton Pit and Pleasant View Mine, combined. This new surety amount was arrived at by escalating both existing reclamation estimates forward five years from the current date. Please refer to the detail in the attached Surety Estimate Update. The Board of Oil, Gas and Mining has requested that all changes or updates to surety estimates be projected five years forward from the current date. Please find enclosed the Division surety forms for: a) an ILOC; b) an Escrow Account; and c) a new Reclamation Contract (FORM MR-RC) (last revised August 1991).

If you have any questions or concerns regarding this request, please contact Tony Gallegos or me at your earliest convenience. Thank you for your cooperation and efforts in resolving this outstanding permitting issue.

Sincerely,



D. Wayne Hedberg
Permit Supervisor
Minerals Regulatory Program

jb
Enclosures
cc: Lowell Braxton
Tony Gallegos
M049006.1

SURETY ESTIMATE UPDATE

Interpace Corporation

Clinton Pit M/049/006 Utah County

Pleasantview Mine M/057/003 Weber County

Prepared by Utah Division of Oil, Gas & Mining

Last Update March 29, 1991

DESCRIPTION:

- Clinton original reclamation estimate made on 5/17/88 was \$90,200 (1993 \$)
- Clinton estimate was reduced in 1989 to \$46,880 (1989 \$)
- Pleasantview original reclamation estimate in 1988 for \$24,860 (1988 \$)
- Escalation factors through 1990 are actual Means Historical Cost Indices
- Clinton disturbance = 43.1 acre; Pleasantview disturbance = 12 acre

CALCULATIONS		CLINTON	PLEASANTVIEW
	YR	ESCAL FACTOR	BOND AMOUNT
F = $P(1 + i)^{**n}$	1977	0.0870	\$0
	1978	0.0710	\$0
F = Future Sum	1979	0.0860	\$0
P = Present Sum	1980	0.0860	\$0
i = Escalation Factor	1981	0.0991	\$0
n = number of periods	1982	0.0940	\$0
	1983	0.0104	\$0
	1984	0.0092	\$0
	1985	0.0290	\$0
	1986	0.0210	\$0
	1987	0.0195	\$0
	1988	0.0181	\$24,860
	1989	0.0177	\$46,880
	1990	0.0077	\$47,241
Three Yr Average = 1.45	1991	0.0145	\$47,926
Used to Project 5 Yrs	1992	0.0145	\$48,621
Into the Future	1993	0.0145	\$49,326
From the Year 1991	1994	0.0145	\$50,041
	1995	0.0145	\$50,767
	1996	0.0145	\$51,503
Updated Surety Amount Rounded (1996 \$)		\$51,500	\$27,800
** Average cost per acre **		\$1,439	
COMBINED TOTAL SURETY (1996 \$) =			\$79,300

Proposed reclamation surety escrow schedule
for the Clinton and Pleasant View Mines:

Date		Amount Received	Total Amount Held	Percent of Total
December	1988	25,000	25,000	21.2
June	1989	25,000	50,000	42.3
December	1989	25,000	75,000	63.5
June	1990	25,000	100,000	84.7
December	1990	18,100	118,100	100.0

FROM THE PACKAGE PREPARED FOR THE BOARD 1/9/89